



'It's a double whammy of an inflation'

N.B. faces uncertain economic future in 2023: UNB prof

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The ongoing war in Ukraine and the lingering effects of COVID-19 could mean an uncertain economic future for New Brunswick in 2023, a UNB economics professor says.

Constantine Passaris said the country has seen the inflation rate rising, causing the skyrocketing prices for commodities like food and fuel. Year-over-year inflation hit 7.8 per cent for November, Statistics Canada reported.

The driving force of the increasing inflation has been COVID-19 and the Russian invasion of Ukraine earlier this year, which resulted in production bottlenecks, labour shortages, and disruptions in the supply chain.

"All of those have played into businesses being vulnerable in terms of maintaining the standard of production and frequency that was the normal before COVID," he said. "We got used to the fact that we can trade with other countries, and we can get the goods that we need almost instantaneously."

Passaris said there have been examples of this kind of inflation in the past, but it was found in countries in South America, Asia and Africa where there were localized civil wars.

New Brunswick has been particularly impacted by the effects of inflation because of its older demographic, he said.

"It's a double whammy of an inflation that contributes very severely on seniors and pensioners or fixed income families who have no way of expanding their ability to purchase the essential goods they need to survive day to day," Passaris said.

The inflation in 2022 did not have a gradual build up, but seemed to rise rapidly, he noted. The biggest hit for New Brunswick consumers came in the grocery stores with year-over-year prices rising 10 per cent, though he noted retail and gas prices have



University of New Brunswick economics professor Constantine Passaris

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also increased.

With the Bank of Canada raising its benchmark interest rate seven times this year, Passaris said it is also more difficult for people to get a loan, buy a house, and pay their mortgage.

Passaris said inflation has also impacted business owners, especially small and medium-sized businesses, which he called the "work horses" of New Brunswick. He said those businesses do not have the profit margins to absorb inflation, meaning they pass it on to their customers through higher prices.

When asked what New Brunswickers could see in the new year, Passaris said economists have predicted there will be a recession, but there are differing thoughts about how severe it will be and how long it will last.

He said it is hard to tell because the effects of the pandemic are still being felt, and he added there could be future strains of the virus or other illnesses to put pressure on the health system. Passaris also said the conflict in Ukraine also could flare up at any time.

"We don't live in a very predictable world," he said. "We are a very globalized interconnected world. No nation is an island."

In the coming months Passaris predicts the disruptions in the supply chain and the labour shortages will continue, and if there is a recession it could mean higher costs, lower employment opportunities, a lower level of production in businesses and fewer economic opportunities for advancement.

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